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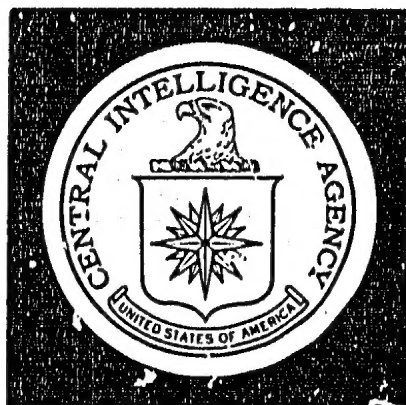
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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

THE SUEZ CANAL REOPENED: PROSPECTS AND IMPLICATIONS

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
16 February 1971

INTELLIGENCE MEMORANDUM

The Suez Canal Reopened: Prospects and ImplicationsIntroduction

Egyptian President Sadat has proposed what he termed a "new initiative" calling for a partial withdrawal of Israeli forces from the east bank of the Suez Canal for which in return he would be prepared to clear the canal and reopen it "for international navigation to serve the world economy." Sadat further stated that the Israeli pullback would be the "first stage of a timetable that will be prepared later to implement the other provisions of the Security Council resolution." This is not a totally new Egyptian offer; it is a reiteration of Foreign Minister Riad's proposal of late 1968 to reopen the Suez Canal in return for an Israeli withdrawal of 30 kilometers.

The wording of Sadat's proposal is vague, and a number of points need clarification. He made no mention of any reciprocal Egyptian withdrawal from the west bank of the canal. It is not clear whether "partial withdrawal" of Israeli forces means a complete evacuation of advanced positions or merely a thinning out, and the distance of any such pullback was not spelled out. Subsequently, however, an Egyptian spokesman did clarify Sadat's reference to international usage of the canal when he

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stated that Israeli ships would be able to use the waterway only after the problem of the Palestinian refugees was solved in conjunction with the full implementation of the 1967 Security Council resolution.

Sadat's surfacing of the proposal caught Tel Aviv somewhat by surprise. Prime Minister Golda Meir characterized the Egyptian offer as aimed merely at giving Cairo a strategic advantage without including any real commitment to peace. Although Mrs. Meir stated that Israel would favorably consider proposals aimed at the mutual reduction of military forces along the canal, there was no indication that Israel was prepared to depart from its long-held position that there would be no withdrawal prior to a signed peace treaty. The prime minister did say, however, that Israel was ready to discuss a separate arrangement, outside of the peace talks, for reopening the canal to all shipping provided that vessels flying the Israeli flag were included. An official Egyptian spokesman termed Mrs. Meir's speech a frank rejection of the Egyptian initiative and affirmed that Egypt considers the opening of the waterway dependent on Israel's partial withdrawal from the eastern bank of the canal.

Cairo probably views its offer at least in part as a tactic to put Israel on the defensive and to increase the pressures on it to come to terms acceptable to the Arabs. Egypt would, however, find it difficult to match an Israeli withdrawal, particularly one encompassing its newly established SAM defensive barrier along the canal. Egypt also would face potentially serious domestic problems if it made what could be termed "concessions" to the enemy.

The fact is, however, that neither side would be giving up very much in military terms if there were a mutual pullback from the canal. The present military balance would not be significantly altered, although the ability of each side to inflict indiscriminate damage on the other's forces would be reduced.

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A withdrawal from the immediate canal area by Israel alone or by both armies, however, could significantly alter the psychological climate that has existed in Egyptian-Israeli relations since 1967. By diminishing the likelihood of armed clashes it would permit the creation of a modicum of mutual confidence and might facilitate negotiations on the many extremely troublesome issues that separate the two countries. A withdrawal would also serve to reduce the atmosphere of distrust and hostility at the popular level, making it more difficult for the leaders of either side to contemplate a renewal of active warfare. This, in turn, might give added incentive for a concerted effort in the political arena.

Reopening the canal under the conditions of the Sadat plan would have no significant economic effect on Israel. Egypt stands to gain substantially in the long term; whether it would gain or lose in the short term would depend on how much aid other Arab countries, especially Libya, were willing to continue to provide.

Reopening the canal would lower world shipping rates, thereby reducing transport costs, especially for bulk commodities. The USSR, South Asia, and the countries surrounding the Mediterranean and the Persian Gulf would benefit.

Although tanker rates would fall sharply, probably only about one third of the tanker tonnage now transiting the Cape of Good Hope would use the canal. Egypt would probably go ahead with its plans to build a pipeline from the Gulf of Suez to the Mediterranean. Although agreement on the canal would come too late to have any significant effect on current negotiations with Persian Gulf oil producers, it would weaken Libya's bargaining position. Libya's advantage in transport costs to European markets would decline, and, once the canal was cleared, an ample number of tankers would be available to carry replacement oil if, in its struggle with the companies and the oil importers, Libya stopped oil exports.

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Egyptian Motivations

1. President Sadat's motives in surfacing his proposal are probably varied. The idea of reopening the Suez Canal is of great interest to some Western European nations, and Sadat and his advisers may hope that these countries will use their influence to prod Tel Aviv into adopting a more forthcoming diplomatic position, particularly regarding the issue of withdrawal from the occupied territories. Egypt may also believe that this "initiative" will be taken as a sign of its sincerity in exploring new avenues to diplomatic progress.

2. It is, of course, possible that Sadat made his proposal for the purely tactical reason of scoring points in the international community, trusting that Tel Aviv would never accept it. It can be argued that the political and military benefits to Egypt would be meager and perhaps even negative: by establishing a new, militarily uncontested, cease-fire line, Israeli forces would be left in the Sinai, far west of the previous Egyptian-Israeli border and in control of most of the peninsula including Sharm ash-Shaykh. The temptation to make this possession permanent would be very strong. Egyptian strategists may not have thought out the proposal to that extent or may intend further conditions that will emerge when Egypt is pressed for clarification.

3. The acceptance of a mutual withdrawal of forces from the Suez Canal area would, of course, be extremely difficult for Cairo, particularly if Egypt were asked to carry out a mutual and equal pullback that included the dismantling of its air defense system along the canal. Cairo maintains that the SAM network is purely defensive and thus of no direct threat to Israel, and the Egyptian military, with memories of Israeli air attacks still fresh, would certainly balk at any suggestion that the SAMs be removed. Although many Egyptians realize that their armed forces are not capable of seriously challenging Israel's hold on the Sinai,

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there seem to be those, reportedly including some younger hawks in the military, who are willing to try again despite the probable consequences. This group would view a pullback as a further undesirable prolongation of Israeli occupation of the Sinai. Others would no doubt argue that such a withdrawal would constitute demeaning concessions to Tel Aviv and a further blackening of Arab honor. A telling argument against such a move might be "why should we withdraw from our own territory?"

4. Egyptian leaders, however, might conceivably be able to agree to a reciprocal comprehensive pullback if the Israeli withdrawal were carried out as the first step in an arrangement for a staged evacuation of all of the Sinai. Although this too would meet opposition within Egypt, Cairo might sell the plan as tangible evidence of progress toward the eventual goal of a complete return of the Sinai.

5. A proposal more acceptable to Cairo would be to thin out its forces along the west bank of the canal in return for a partial Israeli withdrawal. This could involve moving back troops, armor, and artillery a specified distance, leaving intact Egypt's air defense system along the canal.

6. In either case, Cairo might not agree unless there was some form of guarantee by the UN or the Big Four that the partial Israeli withdrawal would in fact be only the first step in a more comprehensive pullback. To reassure those Egyptians dubious about Israeli intentions, Cairo could request the stationing of an international supervisory force in the canal area to police the demilitarized zones. An Egyptian withdrawal or thinning out would also be made easier if it could be done without publicity--an unlikely event--thus sparing Cairo the possible embarrassment of criticism from other Arab states.

7. Any arrangement whereby Israeli forces withdrew without a reciprocal Egyptian move could be termed by Cairo as at least a partial victory in the campaign to obtain the eventual total evacuation

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of the Sinai. The Sadat regime would, to that extent, be strengthened. The normalization of the situation, stemming from the reopening of the canal and the accompanying reduction in military tensions, would also win favor with the many Egyptians who are weary of the years of warfare with Israel. It would give them renewed hope that perhaps the end was in sight.

8. The idea of a corresponding Egyptian withdrawal, particularly one including the SAM network along the canal, would meet stiff opposition, however. There are probably differing views within the Egyptian hierarchy on the advisability of a pullback, and Sadat might well balk at attempting to force such a move for fear of undermining what strength he has accumulated since replacing Nasir in October.

9. Cairo would probably come under some criticism from other Arab states if it appeared that Sadat were making a separate deal with Tel Aviv that ignored the other aspects of a total settlement. Consequently, Sadat would have to move cautiously, insisting--in public at least--that any withdrawal arrangement with Israel was only part of a more comprehensive solution.

10. The Soviet Union is likely to encourage Cairo's efforts to reopen the canal in return for a partial Israeli withdrawal. But Moscow will probably counsel against the removal of Egypt's SAM defenses from near the canal, although it might acquiesce in thinning out other ground forces if Israel agreed to withdraw from the east bank of the waterway. Cairo undoubtedly hopes that its forthcoming attitude on reopening the canal will gain favor in Washington and perhaps induce the US to prod Israel to explore the possibilities of the Egyptian offer.

Israeli Views

11. Given the long-held position--which now amounts to almost a basic principle of Israeli

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foreign policy--that there be no withdrawal before a peace treaty, Israeli agreement to any plan along the lines of that suggested by Sadat seems unlikely, as Mrs. Meir's initial response demonstrated. Tel Aviv would be very reluctant to give up its ready-made tank barrier without some guarantee on the part of the US or a commitment from Egypt that it would not take advantage of the Israeli withdrawal to move its forces across the canal.

12. Some Israelis might be more inclined to accept an arrangement providing for mutual withdrawal or a thinning out of defenses on the Egyptian side of the canal. Even then it seems likely that Israel would try to involve the US in some way, at least in monitoring Egyptian performance of their side of any agreement.

13. In mid-November, Israeli Defense Minister Moshe Dayan reportedly called for a cease-fire agreement based on mutual withdrawal from the Suez Canal and a reopening of the waterway. Dayan may have known his proposal would be unacceptable to the Egyptians and may have raised it only to display to such interested countries as Britain, France, and the USSR Israeli willingness to negotiate. Later the same month, however, Dayan refined his proposal to a call for an agreement for a mutual reduction of forces on both banks of the canal and a reopening of the waterway with Israeli forces retaining some positions on the east bank of the canal.

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16. Any withdrawal whatever would cause domestic problems for the Israeli Government. A partial withdrawal from the canal, however, would be less troublesome than giving up any of the other occupied territories. The National Religious Party was seriously divided at the time of the decision to return to the Jarring talks and might leave the government over the question of withdrawal. Although the Labor Party and its affiliates would still command a majority (64 of 120 votes), the Labor Party leadership regards the margin as too slender to be workable.

17. In any event, the Israelis fear that outsiders would probably interpret any pullback as a first step to complete withdrawal, which they consider to be out of the question. They are determined to retain large portions of the occupied territories, and they almost certainly will not buy any plan that is linked even indirectly to a timetable for total withdrawal from all the occupied territories.

Military Implications

18. A pullback of military forces from the immediate canal area would not significantly alter the present military balance between Israel and Egypt. Neither side can now hope to cross the

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canal without suffering serious losses. A partial troop withdrawal is unlikely to alter the present strategic standoff.

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